SFG 2023 | LEVEL 1 | Test #16 – Solutions | ForumIAS

Q.1) A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is "base effect"?
a) It is the impact of drastic deficiency in supply due to failure of crops
b) It is the impact of the surge in demand due to rapid economic growth
c) It is the impact of the price levels of previous year on the calculation of inflation rate
d) None of the statements (a), (b) and (c) 'given above is correct in this context

Ans) c
Exp) Option c is the correct answer.
The base effect relates to inflation in the corresponding period of the previous year. If the inflation rate was too low in the corresponding period of the previous year, even a smaller rise in the Price Index will arithmetically give a high rate of inflation for current year.
Source: UPSC CSE Pre 2011

Q.2) Rapid urbanisation and migration to cities have caused severe urban housing shortages in India, particularly for the economically weaker sections. In this context, which of the following measures are taken by the Government of India to boost affordable housing?
1. Granting infrastructure status to affordable housing
2. Formation of Affordable Housing Fund under the National Housing Bank (NHB)
3. PM Awas Yojana (Urban) may use the land from rural areas falling within the notified Planning area
4. Enactment of Real Estate Regulatory Authority (RERA) Act
Select the correct answer using the code given below
a) 1 and 2 only
b) 2 and 3 only
c) 1, 3 and 4 only
d) 1, 2, 3 and 4

Ans) d
Exp) Option d is the correct answer.
The Government of India have undertaken a number of initiatives to boost affordable housing:
Option 1 is correct: The Government of India have granted **infrastructure status to affordable housing which** enables affordable housing sector to avail the associated benefits such as **lower borrowing rates,** tax concessions and increased flow of foreign and private capital.
Option 2 is correct: The Union budget 2018-19 announced a dedicated **Affordable Housing Fund (AHF) under the National Housing Bank (NHB).** NHB using this fund will refinance the Primary Lending Institutions in respect of their **individual loans**. This fund will be sourced from priority sector lending shortfall.
Option 3 is correct: As land availability within the urban areas is very low, the government has extended the **PMAY - Urban scheme to include rural areas falling within the notified Planning / Development area**. It is clear that availability of encumbrance free land within existing municipal areas for urban housing schemes is not an easy task. **Therefore, provision has been made to include rural areas falling within the notified Planning/Development areas, under ambit of PMAY (U).** It would leverage availability of additional land at cheaper cost for construction of affordable houses".
Option 4 is correct: On 1st May 2017, the Government incorporated the Real Estate Regulatory Authority (RERA) Act. The goal of RERA is to improve the efficiency and transparency in the real estate sector of India. Before RERA, home buyers were facing many issues regarding properties. The most prominent among them were delayed deliveries, **unfair pricing, quality of the construction, etc.** RERA is meant to rectify those

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problems and thereby streamline the real estate sector of India. RERA is effectively cleansing the system from the brokers that are earning money by cheating their customers. **The property developers in affordable housing segment work with registered brokers, and thus they have noticed a sharp decrease in customer complaints. Hence RERA is helping in both regulation of prices and improve the transparency in affordable housing sector.**
Source:
https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/AFFORDABLE609D506CB8C247DAB526C40DAF461881.PDF
https://pib.gov.in/Pressreleaseshare.aspx?PRID=1519109

Q.3) With reference to the National Pharmaceutical Pricing Authority (NPPA), consider the following statements:
1. It is an independent office functioning under the Ministry of Health and Family Welfare.
2. It monitors the prices of both controlled and decontrolled drugs in India.
3. If the consumers have been overcharged for controlled drugs, NPPA can recover these overcharged amounts from manufacturers.
Select the correct answer using the code given below:
a) 1 and 2 only
b) 2 and 3 only
c) 2 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.
Statement 1 is incorrect: The National Pharmaceutical Pricing Authority was set up as an **attached office of the Department of Pharmaceuticals, Ministry of fertilisers and chemicals (not the ministry of Health and Family Welfare).**
Statement 2 is correct. It can fix/ revise the prices of controlled bulk drugs and formulations and to enforce prices and availability of the medicines in the country, under the Drugs (Prices Control) Order, 1995. It **can also monitor the prices of decontrolled drugs** in order to keep them at reasonable levels.
Statement 3 is correct: The National Pharmaceutical Pricing Authority Is also **entrusted with the task of recovering amounts overcharged** by manufacturers for the controlled drugs from the consumers.
Source: https://pharmaceuticals.gov.in/dpconppa

Q.4) Which of the following measures is most **unlikely** to be taken to avoid a currency crisis in India?
a) Encouraging exports from India
b) Reduction of Interest rate by the Reserve Bank of India
c) Increasing the public expenditure by the Government of India
d) Selling the US dollars and gold by reserve bank of India

Ans) c
Exp) option c is the correct answer.
A **currency crisis** involves the sudden and steep decline in the value of a nation's currency, which causes negative ripple effects throughout the economy.
Option a is incorrect. All **exports** by domestic residents reflect **earnings of foreign exchange**. For instance, Indian exporters will expect to be paid in rupees and, to buy our goods, foreigners must sell their currency

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and buy rupees. It will consequently **increase the demand of Indian rupees i**n the foreign currency exchange market and thus bring currency stability.

Option b is incorrect: Inflation is closely related to **interest rates,** which can influence exchange rates. **Higher the interest rate fixed by RBI, higher the inflow of foreign currency**. This will increase the demand for a country's currency.

Option c is correct. Increasing the public expenditure by Government of India will further **increase the supply of domestic currency and aggravate the situation of currency crisis**. Hence decreasing the public expenditure would be the right step to avoid currency crisis.

Option d is incorrect: Central banks and governments can intervene to help stabilise a currency by **selling off reserves of foreign currency or gold**. This will reduce the demand of foreign currency and **increase the demand of Indian rupees and will help in avoiding currency crisis**.

Knowledge Base: The basic concept is to increase the demand of a currency in a crisis in foreign market and reduce the supply of currency in a crisis in the market.

Source: 12th NCERT (Introductory Macroeconomics (pg. no 80,81)

https://www.investopedia.com/ask/answers/022415/how-does-inflation-affect-exchange-rate-between-two-nations.asp

Q.5) Consider the following statements with reference to the Association of Asian Election Authorities (AAEA):

1. Election Commission of India is a founder member of the AAEA.
2. It promotes citizens' participation in the electoral and civic process.
3. India recently has been elected as the new Chair of the AAEA for the first time since its inception.

Which of the statements given above is/are correct?

a) 1, 2 and 3
b) 2 only
c) 1 and 3 only
d) 1 and 2 only

Ans) d

Exp) Option d is the correct answer.

AAEA was **established in 1998** in pursuance of the resolution passed by participants of the **Symposium on Asian Elections in the 21st century** held from **January 26-29, 1997 in Manila**, Philippines. The AAEA was conceived to promote and institutionalize open and transparent elections, independent and impartial election authorities, professionalizing Asian election authorities, **citizen participation in the electoral and civic process**, information sharing, and the development of resources for election-related information and research.

Statement 1 is correct and statement 3 is incorrect: Election Commission of India is a founder member of the **AAEA.** India has also served on the Executive Board of the AAEA as the Vice Chair during 2011-13 **and Chair during 2014-16 (not first time in 2022).** India has been unanimously elected as the new **Chair of the Association of Asian Election Authorities (AAEA) second time** for **2022-2024** at the recently held meeting of the Executive board and General Assembly at **Manila, Philippines**.

Statement 2 is correct: AAEA provides a **non-partisan forum in the Asian region (not globally)** for **sharing experiences and best practices among election authorities**. One of its key objectives is to discuss and act upon ways to promote open and transparent elections with the objective of supporting good governance and democracy. The AAEA was conceived to promote and institutionalise open and transparent elections, independent and impartial election authorities, professionalising Asian election authorities, c**itizen**

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participation in the electoral and civic process, information sharing, and the development of resources for election-related information and research.
Source: http://asianelectionauthorities.org/about.html
https://pib.gov.in/PressReleasePage.aspx?PRID=1824354#:
https://www.financialexpress.com/india-news/india-elected-as-chair-of-the-association-of-asian-election-authorities-for-2022-24/2520653/

Q.6) Which of the following is/are the likely benefit/s of a certain level of Inflation in economy?
1. Easier for government to achieve its fiscal deficit target
2. According to the Philip's Curve, the rising unemployment can be fought with increased inflation.
3. It encourages the domestic savings by earning high interest rate
Select the correct answer using the code given below:
a) 1 and 2 only
b) 1 and 3 only
c) 2 and 3 only
d) 1, 2 and 3

Ans) a
Exp) Option a is the correct answer.
Inflation is a general rise in the prices of goods and services. It is the result of an increase in the amount of money relative to the supply of available goods. I.e., **too much money chasing too few goods**. While high inflation is generally considered harmful, some economists believe that a small amount of inflation can help drive economic growth.
Option 1 is correct. In the short term, the government, which is the single largest borrower in the economy, benefits from high inflation. Inflation allows the government **to meet its fiscal deficit target.** Fiscal deficit limits are expressed as a percentage of the nominal GDP. As the nominal GDP rises because of inflation, the same amount of fiscal deficit (borrowing) becomes a smaller percentage of the GDP.
Option 2 is correct. Economists believe that an inverse relationship exists between inflation and unemployment, and that rising unemployment could be fought with increased inflation. This relationship is defined in the famous Phillips curve.
Option 3 is incorrect. High inflation eats away the real interest earned from keeping one's money in the bank or similar savings instruments. Earning a 6% nominal interest from a savings deposit effectively means earning 0% interest if inflation is at 6%. By the reverse logic, **borrowers are better off** when inflation rises because they end up paying a lower "real" interest rate. So, the inflation discourages the savings instead of encouraging them.

Q.7) Consider the following pairs:

Initiatives of Niti Aayog	**Description/Purpose of programme**
1. Project SATH-E	Enables adoption of energy efficient technology in power loom sector.
2. LiFE Campaign	Bringing behavioral changes to replace the 'use and dispose'

	economy with 'circular' economy.
3. Shoonya initiative	promoting the adoption of electric vehicle across the Country.

Which of the pairs given above is/are correct?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) b

Exp) Option b is the correct answer

On January 1, 2015 NITI Aayog was established through government resolution replacing the planning Commission. It envisages the vision of Maximum Governance, Minimum Government. It is the premier policy think tank of the government echoing the spirit of cooperative federalism. With this policy of 'Bottom-up' approach, NITI Aayog has undertaken various initiatives like Aspirational district programme, Atal innovation mission, SDG index e.tc.

Statement 1 is incorrect: Project SATH-E, 'Sustainable Action for Transforming Human Capital-Education', was launched in 2017. It aimed at making Jharkhand, Odisha and Madhya Pradesh as 'role model' States for the school education sector

The first phase of SATH-E was completed in March 2020. Achievements were made in learning enhancement programmes, governance reforms, teacher training, IT-enabled monitoring of schools etc.

Statement 2 is correct: LiFE campaign was introduced in UN Climate Change Conference (UNFCCC COP26). It is aimed at bringing change in the lifestyle of people to replace the use and dispose economy. It enables people to adopt the sustainable and environmentally friendly choices. The Mission aims to create and nurture a global network of individuals, namely 'Pro-Planet People' (P3).

Approach of LiFE Campaign:

1) Focus on Individual Behaviours

Make life a mass movement /Jan Andolan to focus on behaviours and attitudes of individuals and communities.

2) Co-create Globally

Crowdsource ideas across the world, through top universities, think tanks and international organisations

3) Leverage Local Cultures

Leverage climate-friendly social norms and household practices of different cultures worldwide.

A circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible.

Statement 3 is correct: The Shoonya campaign plans at improving air quality in India by increasing the usage of electric vehicles (EVs) in the country.

The Shoonya campaign brings together consumers and industry sector. It promotes the adoption of EV to reduce emissions from the commercial passenger and urban freight sector. The campaign is administered by NITI Aayog and RMI along with leading industry. It has three components:

(a) Corporate Branding Programme
(b) Consumer Awareness Drive
(c) Resource Toolkit

Source: https://www.niti.gov.in/project-sath-e
https://www.niti.gov.in/life
https://shoonya.info/about-us

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Q.8) With reference to the G20, consider the following statements:
1. Its policies and decisions are non-binding to its members.
2. It mandates for the currency swapping arrangements among the members in case of financial crisis situation.
3. It has helped in improving representation of emerging economies in the International Monetary Fund's governance structure.
Which of the statements given above are correct?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) c
Exp) Option c is the correct answer.
The Group of 20 (G20) is an informal political and economic forum comprised of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.
Statement 1 is correct: The **role of the G20 is mainly to put pressure on the international community**, to facilitate dialogue, and to institutionalize a new power balance. This is because any proposals, policies, or principles that the G20 adopt are **non-binding.**
Statement 2 is incorrect: G20 does not mandate for the currency swapping arrangements among the members in case of crisis situation. Such arrangements are not the function of G-20. The G20 plays the role of the main coordinator of global financial issues and has responded to crises in the GFA since 2008. Due to the informal nature of the G20, it mostly serves as a forum for communication and does not propose mandatory policies for the members.
Statement 3 is correct: The **G20** strengthened the firepower of Multilateral Financial Institutions to deal with crises, and marginally **enhanced the representation of emerging economies in the IMF's governance structure**. Emerging economies, however, were not the direct beneficiaries of the enhanced global safety net to which they contributed, as this was mostly used to bail out countries in the European Monetary Union. The IMF was also nudged towards streamlining its crisis lending protocols by mitigating the stigma effect and becoming nimbler in providing liquidity in future crises.
Source: https://www.e-ir.info/2018/10/01/reform-of-the-global-financial-architecture-the-role-of-brics-and-the-g20/
https://www.livemint.com/opinion/online-views/the-post-pandemic-g-20-role-in-the-global-financial-architecture-11606056093408.html

Q.9) With reference to the Indian economy, demand-pull inflation can be caused by which of the following?
1. Increase in welfare expenditure
2. Higher purchasing power of consumers
3. Raising tax rates
4. Increase in prices of raw materials
5. Increased labour costs
Select the correct answer using the code given below:
a) 1 and 2 only
b) 1, 2 and 5 only
c) 1, 2 and 3 only
d) 2, 4 and 5 only

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Ans) a

Exp) Option a is the correct answer.

Inflation can be divided into **Demand pull inflation and Cost-push inflation.**

Demand-pull inflation is caused by an increase in aggregate demand, driven by the four sections of the macroeconomy: households, business, governments, and foreign buyers. It is caused by an expanding economy, increased government spending, or overseas growth.

Option 1 is correct: as increase in welfare expenditure means increase in government spending. This in tun will increase demand pull inflation.

Option 2 is correct: When the consumers have higher income levels and have a higher purchasing power then they feel confident and they spend more and even take on more debt to spend. This leads to a steady increase in demand, which means higher prices and higher demand-pull inflation.

Option 3 is incorrect: as an increased rate of taxes would reduce the personal disposable income of a person. Thus, it is one of the **measures used** by the government and RBI **to fight demand pull inflation.**

Option 4 and 5 are incorrect: Cost push inflation is caused by the **decrease in the aggregate supply** of goods and services resulting from an increase in the cost of production. An increase in the **costs of raw materials or labour can contribute to cost-push inflation** (not demand-pull inflation).

Source:
https://www.investopedia.com/articles/05/012005.asp#:~:text=Aggregate%20supply%20is%20the%20total,results%20in%20cost%2Dpush%20inflation.

Q.10) Which of the following best describes the term "Bioeconomy"?

a) An economy that mimics the basic functions of the biology and biospheres.
b) An economy where biomass is exclusively used for energy production.
c) An economy where biofuels are used for methods of transportation and production.
d) An economy using renewable natural resources to produce products and services.

Ans) d

Exp) Option d is the correct answer.

The term **Bioeconomy** generally refers to **an economy using renewable natural resources to produce food, energy, products and services**. The important renewable natural resources include the **biomass in forests, soil, fields, bodies of water and the sea and fresh water**.

Bioeconomy as a **concept acquired prominence when European Union announced Bioeconomy strategy as early as 2012**. This strategy was reviewed for the relevancy in 2018. As per the revised strategy the Bioeconomy covers all sectors and systems that rely on biological resources (animals, plants, micro-organisms and derived biomass, including organic waste), their functions and principles. It includes and interlinks: land and marine ecosystems and the services they provide; all primary production sectors that use and produce biological resources (agriculture, forestry, fisheries and aquaculture); and all economic and industrial sectors that use biological resources and processes to produce food, feed, bio-based products, energy and services.

Source: https://birac.nic.in/webcontent/1594624763_india_bioeconomy_rep.pdf

Q.11) If a commodity is provided free to the public by the Government, then

a) the opportunity cost is zero.
b) the opportunity cost is ignored.
c) the opportunity cost is transferred from the consumers of the product to the tax-paying public.
d) the opportunity cost is transferred from the consumers of the product to the Government.

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Ans) c

Exp) Option c is the correct answer.

Opportunity cost is the forgone benefit that would have been derived by an option not chosen. For example, if you decide to spend two hours studying on a Friday night. The opportunity cost is that you cannot have those two hours for leisure.

When a commodity is provided free to the public by the government then the opportunity cost is transferred to the tax-paying public as the cost of that commodity is ultimately paid by the government from the tax-payers money.

Source: UPSC PRELIMS

Q.12) In the Economic Survey 2021-22, the term 'Refined Core Inflation' has been mentioned. In this context, which of the following statements best describes the term 'Refined Core Inflation'?

a) It is calculated by excluding the volatile food and fuel prices from overall inflation.

b) It is calculated separately for major fuel items such as 'petrol and diesel and other fuels for vehicle'.

c) It excludes main fuel items, 'food and beverages' and 'fuel and light' from the headline retail inflation.

d) It is inflation-related to all the goods, and services of an economy.

Ans) c

Exp) Option c is the correct answer.

Option a is incorrect: Core inflation – It is inflation related to all the commodities, goods, and services in the economy minus the volatile food prices and fuel prices. It is more stable than headline inflation due to the absence of volatile commodities like food and petroleum.

Option b is incorrect: There is no such inflation calculation separately for major fuel items.

Option c is correct: Refined Core Inflation excludes main fuel items like, 'petrol and diesel for vehicle' and 'lubricants and other fuels for vehicles', in addition to 'food and beverages' and 'fuel and light' from the headline retail inflation. Refined core inflation is much below core inflation which shows that the impact of fuel in conventional core inflation is quite substantial.

Option d is incorrect Headline inflation- It is inflation related to all the economy's commodities, goods, and services. The headline inflation includes inflation in a basket of goods that includes commodities like food and energy.

Source: Pg 164, Economic Survey 2021-22

What the Economic Survey's 'Refined' Core Inflation Tells us About Fuel Price Rise (thewire.in)

Headline Inflation - Overview, How To Calculate, Applications (corporatefinanceinstitute.com)

Q.13) Consider the following statements regarding production of Onions in India:

1. The Onions produced during Rabi season contributes majorly in the total production of Onions.
2. The onion production has been steadily increasing in the past 5 years.
3. Gujarat is the topmost onion producing state in India during last decade.

Which of the statement given above is/are Correct?

a) 1 only

b) 2 only

c) 2 and 3 only

d) 1, 2 and 3

Ans) a

Exp) Option a is the correct answer.

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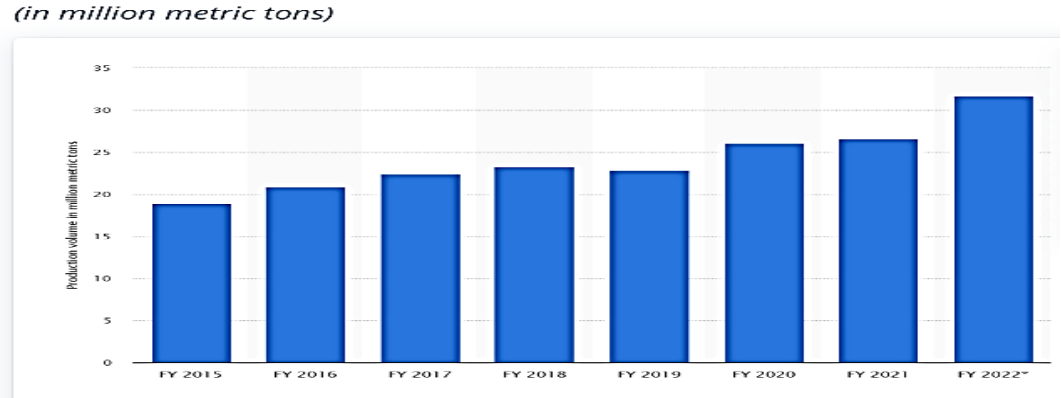
Statement 1 is correct: The **Rabi season *a*ccounts for about 70 per cent of total onion production in a year**. **T**he seasonal component is found to put downward pressure (negative values) on prices coinciding with the Rabi harvest period, and upward pressure (positive values) in other months, reaching peak in December.

Statement 2 is incorrect: Onion production of India has increased from 22.43 mmt in FY 2017 to 26.64 mmt in FY 2021. However, this **increase was not steady**. As can be seen from below figure, the production declined in FY 2019 compared to FY 2018.



Statement 3 is incorrect: The Major Onion producing states are Maharashtra, Karnataka, Madhya Pradesh, Gujarat, Bihar, Andhra Pradesh, Rajasthan, Haryana and Telangana. **Maharashtra** ranks first in Onion production with a share of 39% followed by Madhya Pradesh with a share of 17% in 2020-21. Maharashtra have maintained an average share of 30% in onion production in the last decade.

Knowledge Base: The onion is India's most "political" vegetable. **Seasonality in production and irregular shocks are two important components contributing to the variations in prices** of agriculture commodities. Seasonality in prices is a result of the varying pattern of production of these commodities during different months of a year. On the other hand, shocks often originate from uncertain weather conditions and other unpredictable events.

Source: Pg 168-172, Economic survey 2021-22

https://apeda.gov.in/apedawebsite/SubHead_Products/Onions.htm

https://www.statista.com/statistics/1039704/india-production-volume-of-onions/#:~:text=In%20fiscal%20year%202022%2C%20the,nearly%2032%20million%20metric%20tons.

https://agricoop.nic.in/sites/default/files/Monthly%20Report%20on%20Onion%20for%20May%2C%202018.pdf

Q.14) Consider the following statements regarding the current scenario of Edible oil in India:

1. India is the world's largest consumer and importer of vegetable oil.
2. In terms of type of edible oil consumed in India, Soyabean oil represented the highest share.
3. In order to increase the production of oilseeds, National Food Security Mission: Oilseeds (NFSM-Oilseeds) is implemented in all the districts of India.

Which of the statement given above is/are correct?

a) 1 and 2 only
b) 2 only
c) 3 only
d) 1 and 3 only

Ans) c

Exp) Option c is the correct answer.

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India is one of the major oilseeds growing country. The oilseed production in India has grown by almost 43 per cent from 2015-16 to 2020-21. The oil production in India has however lagged behind its consumption necessitating import of edible oils.

Statement 1 is Incorrect: India is the world's second largest consumer and **World's largest importer of vegetable oil.** As urbanization increases, the dietary habits and traditional meal patterns are expected to shift towards processed foods that have a high content of vegetable oil. Vegetable oil consumption in India is, therefore, expected to remain high due to high population growth and consequent urbanization.

Statement 2 is Incorrect: In terms of types of edible oil consumed in India, palm oil represented 33% of the total, while **soyabean oil, rapeseed and sunflower oil comprised 23%, 15% and 8% respectively**. Cottonseed oil and groundnut oil made up the remainder.

Statement 3 is Correct: The Government is promoting the production and productivity of oilseeds through the centrally sponsored scheme of **National Food Security Mission: Oilseeds (NFSM-Oilseeds) from 2018-19 onwards in all districts of India.**

Knowledge Base: **NFSM-Oilseeds**: Under this scheme, interventions such as production of foundation and certified seed and distribution of certified seeds and seed minikilt's of latest high yielding varieties are undertaken. This mission will help to increase the production and productivity of the oilseeds.

Source: Pg 239 Economic survey 2021-22

India's edible oil consumption expected to reach 26M-27M tonnes by... (ofimagazine.com)

Q.15) Consider the following pairs:

Reports/Index	**Released by**
1. World Press Freedom Index	Reporters Without Borders
2. Global Food Policy Report	International Food Policy Research Institute
3. State of Inequality in India	NITI Aayog

Which of the pairs given above is/are correct?

a) 1 and 2 only
b) 2 only
c) 2 and 3 only
d) 3 only

Ans) a

Exp) Option a is the correct answer.

Pair 1 is correct: World Press Freedom Index is released by Reporters Without Borders. Index highlights degree of freedom that journalists, news organisations and netizens have in each country, and government's efforts to respect such freedom. India recently slipped 8 places to 150 in 2022 WPFI from last year's 142nd rank out of 180 countries.

Pair 2 is correct: International Food Policy Research Institute (IFPRI) has released the Global Food Policy Report 2022 titled 'Climate change and food systems. It reported that:

1) Global food production will grow by about 60% by 2050 as compared to the levels in 2010.
2) However, regional differences in access to food mean that nearly 50 crore people would still remain at the risk of going hungry.
3) **India's food production could drop by 16%** and the number of those at risk of hunger could increase by 23% by 2030 due to climate change.

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4) The average temperature across India will rise in the range of 2.4 degrees Celsius to 4.4 degrees Celsius by 2100 and heatwaves during summer are projected to triple by that year.

Pair 3 is incorrect: The State of Inequality in India Report has been released by the **Economic Advisory Council to the Prime Minister (EAC-PM) (not by NITI Aayog)** and written by the Institute for Competitiveness. The report presents a holistic analysis of the depth and nature of inequality in India. The report looks at five key areas that influence the nature and experience of inequality- income distribution, labour market dynamics, health, education and household characteristics. It reported that the share of the top 1% accounts for 6-7% of the total incomes earned while the **top 10% accounts for one-third of all incomes earned.**

Source: https://www.theguardian.com/environment/2022/may/05/world-food-prize-2022-winner-cynthia-rosenzweig-nasa
https://www.worldfoodprize.org/en/about_the_foundation/
https://blog.forumias.com/global-food-policy-report-2022-9-crore-indians-at-risk-of-hunger-by-2030-due-to-climate-change-report/
https://blog.forumias.com/the-state-of-inequality-in-india-report-released/

Q.16) With reference to the initiatives taken by the multilateral organizations, consider the following pairs:

Initiative	Description
1. Contingent Reserve Arrangement of BRICS	It provides short term liquidity support to the members to help mitigate the Balance of Payments crisis.
2. Creating Investable Cities Initiative	It provides advisory support to help cities across Asia and the Pacific to meet their climate resilience goals.
3. Asian Development Fund	It provides grants to Asian Development Bank's most vulnerable developing member countries.

How many of the pairs give above are matched correctly?
a) Only One pair
b) Only Two pairs
c) All the Three pairs
d) None

Ans) c

Exp) Option c is the correct answer.

Pair 1 is correct: The **BRICS Contingent Reserve Arrangement** proposes to **provide short-term liquidity support to the members through currency swaps to help mitigating BOP crisis situatio**n, in case such a situation arises. The BRICS CRA will help India and other signatory countries to forestall short-term liquidity pressures, provide mutual support and further strengthen financial stability. It would also

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contribute to strengthening the global financial safety net and complement existing international arrangements (from IMF) as an additional line of defence.

Pair 2 is correct: The **Asian Development Bank** (ADB) has launched a new initiative known as **Creating Investable Cities initiative**. It aims to provide direct advisory support to help cities across Asia and the Pacific to meet their climate resilience goals while improving their infrastructure and urban services. The Creating Investable Cities initiative, unveiled at the World Cities Summit in Singapore, will support these partner cities in mainstreaming climate resilience into their policies and projects, developing local resources mobilization strategies, and improve their access to private sector finance.

Pair 3 is correct: The **Asian Development Fund** (ADF) provides **grants** to **Asian Development Bank's** poorest and most **vulnerable developing member countries**. Established in 1974, the ADF initially provided loans on concessional terms. Grants were introduced in 2005, and beginning 2017, with ADB's concessional lending financed from its ordinary capital resources (OCR), the ADF has become a grant-only facility.

Source: https://pib.gov.in/newsite/PrintRelease.aspx?relid=115907
https://www.aiib.org/en/what-we-do/special-funds/global-infrastructure-facility-special-fund/index.html
https://www.adb.org/what-we-do/funds/adf/overview
https://www.adb.org/news/adb-launches-initiative-help-asian-cities-tap-private-sector-finance-meet-climate-resilience

Q.17) Which of the following statement is correct with regard to the Bretton Woods Agreement?

1. The Agreement had a proposal of issuance of a new international reserve currency called the bancor.
2. Under it, every country had to peg their currency to the U.S. dollar which was in turn pegged to the price of gold.
3. It created three new organizations - International Monetary Fund, General Agreement on Tariffs and Trade and World Bank.

Select the correct answer using the code given below:

a) 2 and 3 only
b) 2 only
c) 1 and 3 only
d) 1 and 2 only

Ans) b

Exp) Option b is the correct answer.

The Bretton Woods Agreement was negotiated in July 1944 by delegates from 44 countries at the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire. Thus, the name "Bretton Woods Agreement.

Option 1 is incorrect: The principal goals of Bretton Woods Agreement was to create an efficient foreign exchange system, preventing competitive devaluations of currencies, and promoting international economic growth. The primary designers of the Bretton Woods System were the famous British economist John Maynard Keynes and American Economist Harry Dexter White. Keynes' hope was to establish a powerful global central bank to be called the Clearing Union and **issue a new international reserve currency called the bancor (it did not materialize**). White's plan envisioned a more modest lending fund and a greater role for the U.S. dollar, rather than the creation of a new currency. In the end, the adopted plan took ideas from both, leaning more toward White's plan.

Option 2 is correct: Under the Bretton Woods System, **gold was the basis for the U.S. dollar and other currencies were pegged to the U.S. dollar's value.** The system was a compromise between the fixed exchange rates of the gold standard, seen as conducive to rebuilding the network of global trade and

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finance, and the greater flexibility to which countries had resorted in the 1930s to restore and maintain domestic economic and financial stability.

Option 3 is incorrect: The Bretton Woods Agreement also **created two important organizations**—the **International Monetary Fund** (IMF) and the **World Bank**. While the Bretton Woods System was dissolved in the 1970s, both the IMF and World Bank have remained strong pillars for the exchange of international currencies.

The General Agreement on Tariffs and Trade (GATT), established in April 1947 with 23 members, was the beginning of the multilateral trade system.

Knowledge Base: The **Bretton Woods System had crumbled** by 1973. The Bretton Woods System effectively came to an end in the early 1970s when President Richard M. Nixon announced that the U.S. would no longer exchange gold for U.S. currency. **Now the countries may adopt any exchange arrangement** for their currency at the time, except pegging its value to the price of gold.

Source: https://www.investopedia.com/terms/b/brettonwoodsagreement.asp
https://blog.forumias.com/world-trade-organisation-must-get-back-to-trade/

Q.18) In which of the following conditions does the outflow of capital from a country is most likely to occur?

a) Devaluation of the domestic currency
b) Decrease in tax rates in the domestic country
c) Decrease in the interest rates in foreign nations
d) Recent national elections giving a clear majority to a party.

Ans) a

Exp) Option a is the correct answer.

In economics, capital flight is a phenomenon characterized by large outflows of assets and/or capital from a country due to some events, resulting in negative economic consequences to that country. The events that can lead to capital outflows may be generally categorized as political or economic.

Option a is correct: The **flight of capital** can be triggered by some macroeconomic factors such as **exchange rate fluctuations**. The **devaluation** of the **domestic currency** lowers investors' confidence, causing them to withdraw their capital from a country.

Option b is incorrect: Other economic reasons may also trigger capital flight. These reasons include a significant **tax increase** or **declining interest rates**. For example, after the French government introduced its version of the wealth tax, the country experienced an exodus of wealthy individuals and their private capital.

Option c is incorrect: Both domestic (push) and external (pull) factors may create capital flight. An example for push is the **increase** in **interest rate by the US Fed** may make high returns for US financial assets. Increase in US interest rate implies more interest rate in US banks as compared to Indian banks. Here the US investors who have invested in India may find that US is also attractive now because of the rate of interest hike there. Also, decrease in interest rates in foreign nations will have the opposite effect. This will make India an attractive destination for the investors.

Option d is incorrect: Various **political events** frequently become the reasons for capital outflows from a country. For example, political turmoil (including political instability and risks of civil conflicts) may shake **investors' confidence** regarding the country's economic prospects, thus causing capital flight. Whereas elections providing clear majority to party is the sign of stable government, in such cases investor confidence is increased. This may cause more capital inflow in the economy.

Knowledge Base:

The sudden departure of large sums of money or assets is a detrimental event that triggers several negative consequences for the affected country. It reduces the strength of the economy as it means a loss of tax revenue. Additionally, rapid capital outflows reduce the purchasing power of citizens in the affected

country, and major assets may be devalued. Finally, it can trigger a sort of domino effect if other people become panicked and start withdrawing their capital.
The shift in investors' preferences (e.g., from risky investments to safe investments) can also contribute to capital flight. This is especially common for developing countries that are generally distinguished by a high level of risk.
In addition, the government plans to pursue nationalization (i.e., seizing private assets and placing them under the government's control) can be another trigger for capital outflows.
Source: https://corporatefinanceinstitute.com/resources/economics/capital-flight/

Q.19) Recently the International Monetary Fund agreed on a bailout package for Sri Lanka. Which of the following is the correct form of bailout provided in this case?
a) Borrowing for crisis-prevention and crisis-mitigation for countries with very strong policy frameworks
b) To provide policy support and affordable financing to strengthen members' resilience related to climate change.
c) The financial assistance to meet balance of payments shortfalls that resulted from trade liberalization measures implemented by other countries.
d) Extending financial support to low-income countries as they are facing protracted balance of payments problems.

Ans) d
Exp) Option d is the correct answer.
Bailout is a general term for extending **financial support to a country** facing a potential bankruptcy threat. It can take the form of **loans, cash, bonds, or stock purchases**. A bailout may or may not require reimbursement and is often accompanied by greater government oversee and regulations. When a country borrows from the IMF, it agrees to adjust its economic policies to overcome the problems that led it to seek funding.
Option a is incorrect: The **Flexible Credit Line** (FCL) was designed to meet the demand for **crisis-prevention and crisis-mitigation lending for countries with very strong policy frameworks and track records in economic performance**. This instrument was created as part of IMF reforms for lending to countries facing a cash crunch. To date, five countries—Chile, Colombia, Mexico, Peru and Poland—have had FCL arrangements. The FCL has provided a valuable backstop for these countries, and helped boost market confidence during a period of heightened risks.
Option b is incorrect: The **Resilience and Sustainability Facility** (RSF) complements the existing IMF lending toolkit by helping low-**income and vulnerable middle-income countries address longer-term challenges, including those related to climate change and pandemic preparedness**. The RSF was created under the Resilience and Sustainability Trust (RST) to provide policy support and affordable longer-term financing to strengthen members' resilience and sustainability, and contribute to prospective balance of payments stability.
Option c is incorrect: The **Trade Integration Mechanism** (TIM) was introduced by IMF in April 2004 to assist member countries to **meet balance of payments shortfalls that might result from trade liberalization measures implemented by other countries.** The TIM is not a special lending facility, but rather a policy designed to make resources more predictably available under existing IMF lending facilities. Three member countries (Bangladesh, the Dominican Republic, and the Republic of Madagascar) have so far requested and obtained support in accordance with the TIM.
Option d is correct: IMF had reached an Agreement on an Extended Fund Facility Arrangement with Sri Lanka. The **Extended Fund Facility** (EFF) and the corresponding Extended Credit Facility (ECF) for low-income countries are the Fund's main tools for medium-term support to countries facing protracted balance of payments problems.

For emerging and advanced market economies in crises, the bulk of IMF assistance has been provided through Stand-By Arrangements (SBAs) to address short-term or potential balance of payments problems. The Standby Credit Facility (SCF) serves a similar purpose for low-income countries.
Knowledge Base:
Bailout policies come in various forms, the most common being direct loans or guarantees of third-party (private) loans to the rescued entity. These direct loans are often on terms favouring the entity being rescued. Sometimes even direct subsidies are provided to the parties concerned. Stock purchases are also not uncommon.
Bailouts have several advantages. First, they ensure continued survival of the entity being rescued under difficult economic circumstances. Secondly, a complete collapse of the financial system can be avoided, when industries too big to fail start to crumble. The government in these cases steps in to avoid the insolvency of institutions that are needed for the smooth functioning of the overall markets.
Bailouts also have their disadvantages. Anticipated bailouts encourage a moral hazard by allowing not only promoters but also other stakeholders (customers, lenders, suppliers) to take higher-than-recommended risks in financial transactions. This happens because they start counting on a bailout when things go wrong.
Source: https://economictimes.indiatimes.com/definition/bailout
https://www.imf.org/en/About/Factsheets

Q.20) Consider the following statements with reference to the World Forestry Congress (WFC):
1. It is financed by Food and Agriculture Organization (FAO).
2. The Seoul Declaration was adopted at the recent World Forestry Congress.
3.The Congress is an intergovernmental meeting of delegations of member countries.
Which of the statements given above is/are correct?
a) 1 and 2 only
b) 2 and 3 only
c) 2 only
d) 1 and 3 only

Ans) c
Exp) Option c is the correct answer.
The **fifteenth World Forestry Congress** was hosted by the **Government of the Republic of Korea, in Seoul, from 2 to 6 May 2022**.
Statement 1 is incorrect: The **World Forestry Congress (WFC) is the largest and most significant gathering of the world's forestry sector** and it has been held **every six years.** The first Congress was held in Italy in 1926. **FAO has helped host countries organize the Congress since 1954. Responsibility for the organization and financing of each Congress lies with the host country (not FAO).**
Statement 2 is correct: The **Seoul Declaration was adopted at the XV World Forestry Congress**, held in Seoul, South Korea. The Declaration was **signed by 141 participant countries**. The declaration urges that responsibility for forests should be shared and integrated across institutions, sectors and stakeholders. Furthermore, it urges for investments in Forests, Circular Bioeconomy and Climate Neutrality and Need for Innovative Technologies and Mechanisms.
Statement 3 is incorrect: World Forest Congress is not an intergovernmental meeting; it has no formal constituencies nor country delegations. The implementation of recommendations is a matter for those to whom these are addressed – stakeholders like governments, international organizations, scientific bodies, forest owners, among others – in the light of their own particular circumstances. The Congress functions are advisory, not executive, and participants attend the Congress in their personal capacity. The implementation of recommendations is a matter solely for those to whom they are addressed in light of

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their own particular circumstances - governments, international organizations, scientific bodies and forest owners, among others.
Source: https://www.fao.org/newsroom/detail/newly-adopted-seoul-forest-declaration-identifies-priority-action-areas/en/
https://www.fao.org/event/world-forestry-congress/en#:~:text=Under%20the%20theme%20of%20Building,Goals%20%2C%20the%20Paris%20Agreement%20on

Q.21) Supply of money remaining the same when there is an increase in demand for money, there will be:
a) a fall in the level of prices
b) an increase in the rate of interest
c) a decrease in the rate of interest
d) an increase in the level of income and employment

Ans) b
Exp) Option b is the correct answer.
If the demand increase when the supply is same, there will be a shortage, it will lead to an increase in prices. Similarly, when supply of money remains the same but the demand for it increases then there will be an increase in interest to be charged.
Source: UPSC CSE Pre 2013

Q.22) With respect to the NHB Residex, consider the following statements:
1. It is India's first-ever official residential price index.
2. It was prepared by National Housing Bank on behest of Ministry of Housing and Urban Affairs.
3. The index can predict future trends of the housing market prices.
Which of the statements given above is/are correct?
a) 1 and 3 only
b) 2 and 3 only
c) 1 and 2 only
d) 3 only

Ans) a
Exp) Option a is the correct answer.
Statement 1 is correct: NHB RESIDEX is India's first-ever official residential price index. NHB Residex from the **National Housing Bank, designed by a technical advisory committee comprising Government representatives, lenders and property market players**, is a set of benchmarks that aims to track housing price indicators across Indian cities.
Statement 2 is incorrect: NHB RESIDEX, India's first official housing price index, **was an initiative of the National Housing Bank (NHB), undertaken at the behest of the Government of India, Ministry of Finance (not the Ministry of Housing and Urban Affairs).** The index was formulated under the guidance of a Technical Advisory Committee (TAC) comprising of stakeholders from the housing market.
Statement 3 is correct: NHB RESIDEX will help recognize current trends in micro as well as macro markets, and **predict future behaviour of the housing market**. It will be of immediate use to banks, HFCs, developers, and home-buyers.
Source: https://nhb.org.in/en/about-residex/
https://residex.nhbonline.org.in/HomePage-v5.aspx
https://residex.nhbonline.org.in/About-Residex.aspx

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Q.23) With reference to the multilateral bodies, consider the following pairs:

Institution	Function
1. International Bank for Reconstruction and Development	Providing loans to the middle income and creditworthy low-income countries.
2. International Development Association	Providing grants even without repayment liability to the countries to improve living conditions.
3. International Finance Corporation	Advises governments to encourage private investment and improving the investment climate in the Country.

How many of the pairs given above are matched correctly?
a) Only One pair
b) Only Two pairs
c) All the Three pairs
d) None of the pairs

Ans) c

Exp) Option c is the correct answer.

The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

These are:

(a) The International Bank for Reconstruction and Development
(b) The International Development Association
(c) The International Finance Corporation
(d) The Multilateral Investment Guarantee Agency
(e) The International Centre for Settlement of Investment Disputes.

Pair 1 is correct: The **International Bank for Reconstruction and Development** (IBRD) is a global development cooperative owned by 189 member countries. It supports the World Bank Group's mission by **providing loans, guarantees, risk management products, and advisory services to middle-income** and **creditworthy low-income countries**, as well as by coordinating responses to regional and global challenges.

Pair 2 is correct: The **International Development Association** (IDA) is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by **providing zero to low-interest loans** (called "credits") and **grants** for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 40 years. More than half of IDA countries receive all, or half, of

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their IDA resources on **grant terms, which carry no repayments at all.** These grants are targeted to the low-income countries at higher risk of debt distress.
In addition to concessional loans and grants, IDA provides significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).
Pair 3 is correct: International Finance Corporation is the largest global development institution focused on the private sector in developing countries. IFC was founded in 1956 on an idea that the private sector has the potential to transform developing countries. It helps countries develop their private sectors in a variety of ways:
• Investing in companies through loans, equity investments, debt securities and guarantees.
• Mobilizing capital from other lenders and investors through loan participations, parallel loans and other means.
• Advising businesses and governments to encourage private investment and improve the investment climate.
Source: https://www.worldbank.org/en/who-we-are/ibrd
https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new https://ida.worldbank.org/en/what-is-ida

Q.24) With reference to the Asian Development Bank (ADB), consider the following statements:
1. Japan has the maximum share in ADB, followed by China and India.
2. All the members have equal voting rights is decision making process of ADB.
3. For lending purposes, the member countries are categorized on the basis of per capita income and creditworthiness.
Which of the statements given above are ***incorrect***?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) a
Exp) Option a is the correct answer.
The Asian Development Bank (ADB) is a regional development bank headquartered in Manila, Philippines. The ADB aims to provide for sustainable and inclusive economic growth by financing projects in areas like education and health, while also helping improve the capital markets and business infrastructure in target countries.
Statement 1 is incorrect: The **Asian Development Bank** has 67 members from Asia and the Pacific, of which 48 are from within Asia and the Pacific and 19 outside. **Japan owns 15.677% of ADB, followed by the United States (15.567%), China (6.473%), and India (6.473%).** ADB is also an official United Nations Observer.
Statement 2 is incorrect: The decision-making process of Asian **Development Bank** is similar to the World Bank's process and uses a **weighted voting method in which votes are awarded in proportion to members' capital contributions (and not the equal voting rights to all the members).**
Statement 3 is correct: ADB's Classification and Graduation Policy **determines the eligibility** of developing member countries (DMCs) to borrow **based on two main criteria, (1) per capita income and (2) creditworthiness.** DMCs are classified into:
(a) Group A (Concessional assistance-only): those in need of greatest concessionality and eligible for Asian Development Fund (ADF) grants
(b) Group B (OCR blend): those that need some concessionality, and
(c) Group C (Regular OCR only): those in need of least concessionality. India is in this group.

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DMCs within these groups are further differentiated to determine the mix of funds and lending terms they can access, based on ADB's (i) concessional assistance policy and (ii) policy on diversified financing terms.
Knowledge Base:
The bank was set up in 1966 under the leadership of Japan as one of the first industrialized states in Asia. India was a founding member of ADB in 1966 and is now the bank's fourth-largest shareholder and top borrower.
Source: https://www.adb.org/who-we-are/about
https://www.adb.org/what-we-do/public-sector-financing/lending-policies-rates

Q.25) Consider the following statements with respect to the "Declaration for the Future of the Internet":
1. The declaration was launched by the Global Network Initiative.
2. India is not a party to this declaration.
3. The declaration aims to establish a code of practice for how democratic countries should engage with the web.
Which of the statements given above is/are correct?
a) 1 and 3 only
b) 2 and 3 only
c) 1 and 2 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.
Statement 1 is incorrect: The **United States (and not the Global Network Initiative) launched the Declaration for the Future of the Internet** jointly with more than 60 partners from around the world. The Declaration is a political commitment among partners to advance an affirmative vision for the Internet and digital technologies. The Declaration's principles include commitments to protecting human rights and fundamental freedoms of all people, **promote a global Internet that advances the free flow of information, advancing "inclusive and affordable" connectivity** and strengthening the multi-stakeholder approach to governance that keeps the Internet running for the benefit of all.
Statement 2 is correct: India, China and Russia are among the nations that have not signed this declaration. These Declaration's **principles are not legally binding** but should rather be used as a reference for public policymakers as well as citizens, businesses and civil society organizations.
Statement 3 is correct: The declaration was signed by 61 nations and **aims to establish a code of practice for how democratic countries should engage with the web. The declaration's vision for the internet is broad–aspiring to promote universal internet access, protect human rights, ensure fair economic competition, design secure digital infrastructure, promote pluralism and freedom of expression, and guarantee a multi-stakeholder approach to internet governance.** While this is an ambitious scope for a three-page nonbinding document, the priorities are admirable and reflect the diverse interests of the signatories.
Source: https://blog.forumias.com/india-stays-out-of-global-declaration-on-future-of-internet/#:~:text=signed%20this%20declaration.-,What%20is%20the%20Declaration%20for%20the%20Future%20of%20the%20Internet,the%20Internet%20and%20digital%20technologies.
https://www.thehindubusinessline.com/info-tech/white-house-60-global-partners-launch-the-declaration-of-the-future-of-the-internet-india-not-on-the-list/article65366407.ece

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Q.26) With reference to the supply of oil and control of oil prices across the world, consider the following statements:
1. The OPEC+ nations regulate the prices of crude oil in market by adjusting the global supply of crude oil.
2. All oil production function of OPEC+ nations are performed by their respective National Oil Companies.
3. The output pact is an agreement among the OPEC+ nations to deal with sharp fall in global prices of oil.
Which of the statements given above is/are correct**?**
a) 1 and 2 only
b) 2 only
c) 2 and 3 only
d) 1 and 3 only

Ans) d
Exp) Option d is the correct answer.
OPEC stands for the Organization of the Petroleum Exporting Countries, was formed in Baghdad in 1960 by Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela. it has 13 members apart from the founding members it include-Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, Nigeria and the United Arab Emirates. Its headquarters is in the Austrian capital Vienna. In 2016, OPEC formed an alliance with other oil-producing nations to create OPEC+. The 10 countries now in OPEC+ include Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan.
Statement 1 is correct. OPEC+ nations **hold the power to control the supply and demand of crude oil** to balance the market. As Oil and gas stocks are influenced by the cost of oil. OPEC directly influences the value of these stocks. OPEC+ regulates the supply of oil in order to influence the price of the commodity on the world market. The group can achieve this by **coordinating supply cuts when the price is deemed too low and supply increases** when its members believe prices are too high. They keep prices high by lowering supplies when the demand for oil slumps.
Statement 2 is incorrect. In OPEC countries most of the oil production functions are performed by the **National oil companies (NOC). W**hereas the oil production function in non-OPEC countries (Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan) which export crude oil and together with OPEC nations form the **OPEC+ group, is performed by International or Investor-owned oil companies (IOC).**
Statement 3 is correct. The **OPEC+ group of countries enter into a two-year agreement with each other** known as **output pact proposal** which entailed to steep cuts in crude production to deal with any sharp fall in the price of oil if economic activity around the world crashes. The OPEC+ cannot enter into such output pact proposal with non-OPEC+ countries individually, as it will defeat the purpose of OPEC+ as a group to control over the production or prices of crude oil.
Source: https://www.bbc.com/news/business-61188579
https://www.weforum.org/agenda/2022/11/oil-opec-energy-price/
https://www.eia.gov/energyexplained/oil-and-petroleum-products/where-our-oil-comes-from.php
https://indianexpress.com/article/explained/opecs-output-pact-proposal-how-will-decision-affect-india/
https://www.eia.gov/finance/markets/crudeoil/supply-opec.php

Q.27) Which of the following are the advantages of currency-swap arrangements for India?
1. Does not carry any exchange rate risks.
2. May help in bringing down the cost of capital for Indian entities while accessing foreign capital market.
3. May strengthen the Indian rupee.
4. Increases the investors' confidence in India.

Select the correct answer from the code given below:
a) 1, 2 and 3 only
b) 2, 3 and 4 only
c) 1, 3 and 4 only
d) 1, 2, 3 and 4

Ans) d
Exp) Option d is the correct answer.
Currency swap arrangement is an arrangement between two friendly countries **to involve in trading in their own local currencies.** As per the arrangements, **both countries pay for import and export trade at the pre-determined rates of exchange,** without bringing in third country currency like the US Dollar.
Statement 1 is correct: These **swap operations carry no exchange rate** or other market **risks** as transaction terms are set in advance. Hence, it provides benefit to the country which is getting dollars to use reserves at any time in order to maintain an appropriate level of balance of payments or short-term liquidity. It will aid in bringing greater stability to foreign exchange and capital markets in India.
Statement 2 is correct: A **currency swap** is a swap that involves the exchange of cash flows denominated in two currencies. It will not only enable the agreed amount of capital being available to India on tap for use, it would also help in bringing down the cost of capital for Indian entities while accessing foreign capital market.
Statement 3 is correct: A dollar swap arrangement would help India in **supporting the rupee**, which has depreciated significantly against the US currency over the past few months due to various global and domestic factors. Currency swaps have emerged as an important derivative tool after the global financial crisis of 2008 to hedge the exchange rate risks.
Statement 4 is correct: Swap agreements in US dollar provide **confidence** to the market and prevent excess volatility in financial and foreign exchange markets.
Knowledge Base:
Under currency swap arrangements, a country provides dollars to a foreign central bank which at the same time provides the equivalent funds in its currency to the former based on the market exchange rate at the time of the transaction. The parties agree to swap back these quantities of their two currencies at a specified date in the future which could be the next day or even two years later using the same exchange rate as in the first transaction.
Source: https://economictimes.indiatimes.com/markets/forex/india-exploring-benefits-of-currency-swap-agreements/articleshow/21678758.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Q.28) Which of the following is/are the reasons for divergence between Wholesale Price Index (WPI) and Consume Price Index (CPI) based Inflation rates in recent times?
1. The food articles have a higher weightage in WPI than in CPI.
2. The services group that makes about one-fourth of the CPI weightage, is not included in WPI.
3. The contribution of fuel group in WPI inflation is higher than CPI.
Select the correct answer using the code given below.
a) 1, 2 and 3
b) 2 and 3 only
c) 1 and 3 only
d) 1 and 2 only

Ans) b

Exp) Option b is the correct answer.

The year-on-year inflation rate based on the WPI, and the CPI-C has recorded a divergence since June 2019. Between June 2019 and February 2021, wholesale inflation was lower than retail inflation, while between March 2021 and December 2021, wholesale inflation remained above the retail inflation. This divergence relies on certain factors.

Statement 1 is incorrect. One of the major reasons for the **CPI inflation being higher than WPI inflation** has been that **food articles** had a higher weight (48.3 per cent) in CPI than in WPI (24.3 percent). This factor plays an important role whenever the primary trigger of inflation is food inflation. The retail food inflation can rise sharply due **to supply chain disruptions.** As supply-side bottlenecks eased, and effective supply-side measures are taken particularly for certain items food inflation witnesses a decline. The high weight of food in the CPI makes CPI more responsive to changes in food prices over WPI. Hence any food inflation can cause the CPI inflation rates to take a lead over WPI.

Statement 2 is correct. The **Services group in CPI,** makes up about a **one-fourth of the index (28.3),** includes education, health, recreation, and goods such as gold jewellery **but this Services group are not included in WPI**. This missing of services group creates a huge divergence in the items included of CPI and WPI and hence a great divergence in their calculation.

Statement 3 is correct. The inflation in CPI **subgroup 'transport and communication',** includes the petrol and diesel for vehicle is **steadily inched up,** while **WPI's sub-group 'fuel and power**', which includes petrol and diesel mostly **remains very volatile**. Hence, the contribution of fuel group in WPI inflation was **higher on account of their higher weight in the index** as compared to that of subgroup 'transport and communication' in the CPI. Hence there is huge divergence in the value of WPI and CPI due to different weightage of these fuel items.

Source: https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap05.pdf
https://www.thehindubusinessline.com/opinion/understanding-the-cpiwpi-divergence/article7924096.ece

Q.29) Consider the following pairs:

	Type of Indices	***Released By***
1.	Wholesale Price Index	Office of Economic Advisor
2.	Consumer Price Index of Industrial workers	Ministry of Labour & Employment.
3.	GDP Deflator	Ministry of Statistics and Programme Implementation
4.	Producer Price Index	Bureau of Labor Statistics.

How many pairs given above is/are correct?

a) One pairs only
b) Two pairs only
c) Three pairs only
d) All the four pairs

Ans) c

Exp) Option c is the correct answer.

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A price index (PI) is a measure of how prices change over a period, or in other words, it is a way to measure inflation. There exists certain types of Price Indices like-Whole Sale price index; Consumer Price Index; Producer Price Index; Export price index; Import price index; GDP deflator etc which is adopted by different countries as per the demand in their economies.

Pair 1 is correct. The **Wholesale Price Index (WPI) is** the price of a representative basket of wholesale goods. It covers a broad range of goods, from raw materials to finished manufacturers. This index measures the changes in the price of goods and services at the wholesale market. In India, the WPI is **published by the Office of the Economic Adviser,** Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India. The Wholesale Price Index (WPI) in India is available monthly only.

Pair 2 is correct. The **Consumer Price Index of Industrial workers is** released by the **Labour Bureau, an attached office of the Ministry of Labour & Employment.** The index is **compiled every month** based on the retail prices collected from 317 markets spread over 88 industrially important centres in the country.

Pair 3 is correct. The GDP deflator is also called as **implicit price deflator. I**t is a measure of inflation that is represented as the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year**.** GDP deflator is published by the **Ministry of Statistics and Programme Implementation** and is available only on a quarterly basis along with GDP estimates.

Pair 4 is incorrect. Producer Price Index (PPI) measures the average change in the price a producer receives for his goods/services sold in the domestic market/exports. **PPI is not measured and calculated in India** till yet, b**ut NITI AYOG is preparing it to release it soon.** PPI is a totally new concept for India. It will track inflation minus tax component. The most important part of PPI will be services, as currently there is no index tracking inflation in the sector that contributes about 55% to India's GDP. Whereas it is **in US that this index is published monthly by the Bureau of Labor Statistics.**

Knowledge Base:

In India, there are four consumer price index numbers, which are calculated, and these are as follows:

(a) CPI for Industrial Workers (IW)

(b) CPI for Agricultural Labourers (AL)

(c) CPI for Rural Labourers (RL) and

(d) CPI for Urban Non-Manual Employees (UNME).

While the Ministry of Statistics and Program Implementation collects CPI (UNME) data and compiles it, **the remaining three are collected by the Labour Bureau in the Ministry of Labour.**

Source: https://www.thehindu.com/business/Economy/what-is-the-gdp-deflator/article24489279.ece

https://economictimes.indiatimes.com/news/economy/policy/government-sets-up-a-panel-to-devise-new-producer-price-index-to-replace-wholesale-price-index/articleshow/41387849.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

http://egyankosh.ac.in/bitstream/123456789/67661/3/Unit-7.pdf

http://www.arthapedia.in/index.php?title=Consumer_Price_Index_for_Urban_Non_Manual_Employees_(CPI(UNME))

https://pib.gov.in/PressReleasePage.aspx?PRID=1863888

Q.30) With reference to the various space missions to Venus, consider the following statements:

1. DAVINCI+ is a NASA mission to study various geological features of Venus.
2. VERITAS was launched by the European Space Agency to create a 3-dimensional reconstruction of the topography of Venus.

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3. ISRO will launch its first ever mission to Venus called Shukrayan, when Venus will be in close proximity to Earth.
Which of the statements given above is/are correct?
a) 1 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) c
Exp) Option c is the correct answer.
Statement 1 is correct: DAVINCI+, 'Deep Atmosphere Venus Investigation of Noble gases, Chemistry, and Imaging', is one of the two **missions of NASA to study planet Venus.** It is the first US-led mission to the planet's atmosphere since 1978. It will try **to understand Venus' composition** to see how the planet formed and evolved. It will make observations and take measurements of noble gases and other elements. Significantly, this mission will also try to return the **first high resolution photographs of a geological feature** that is unique to Venus. This feature, which is called "tesserae" may suggest that Venus has tectonic plates like Earth.
Statement 2 is incorrect: VERITAS, 'Venus Emissivity, Radio Science, InSAR, Topography, and Spectroscopy' **is also a NASA mission to Venus.** It will map the planet's surface to determine its geologic history and understand the reasons why it developed so differently from Earth. VERITAS will orbit Venus with a radar that will help to **create a three-dimensional reconstruction of its topography** which might be able to tell scientists if processes such as plate tectonics and volcanism are still active there. This mission will also map the emissions from Venus's surface that may help in determining the type of rocks that exist on Venus. It will also determine if active volcanoes are releasing water vapour into the atmosphere.
Statement 3 is correct: Indian Space Research Organization (ISRO) is planning to **launch its first ever Venus Mission, called Shukrayaan, in 2024.** It aims to study the Venusian atmosphere which is toxic and corrosive in nature as clouds of sulphuric acid cover the planet. The space agency is targeting a launch date in December 2024 when the earth and Venus will be in such close proximity that the spacecraft can be placed in Venus' orbit with the least amount of propellant. The next similar window would be available in 2031.
Source: https://indianexpress.com/article/explained/nasa-missions-to-venus-davinci-veritas-explained-7342499/
https://www.thehindu.com/sci-tech/science/isro-plans-mission-to-venus-eyes-dec-2024-launch-window/article65382339.ece

Q.31) With reference to land reforms in independent India, which one of the following statements is correct?
a) The ceiling laws were aimed at family holdings and not individual holdings.
b) The major aim of land reforms was providing agricultural land to all the landless.
c) It resulted in cultivation of cash crops as a predominant form of cultivation.
d) Land reforms permitted no exemptions to the ceiling limits.

Ans) b
Exp) Option b is the correct answer.
Option a is incorrect: In some states the unit of application of the land reforms on the basis of individual while in some states the 'family' was the unit for determining the land holding ceiling.

Option b is correct: The main objective of the land reforms was the redistribution of land across society so that land is not held in the hands of a few people. Land ceiling was adopted to disburse surplus land amongst small and marginal farmers and the landless.
Option c is incorrect: One of the aims of the land reforms was to switch from cash crops to food crops. It resulted in increase in production of food crops.
Option d is incorrect: Numerous exemptions in the ceiling limits were an important factor which limited the success of land reforms in independent India.
Source: UPSC CSE Pre 2019

Q.32) With reference to taxation for Hindu Undivided Family (HUF) under Income Tax Act of 1961, consider the following statements:
1. A Hindu Undivided Family can be created through a contract under the provisions of Income tax act.
2. Hindu Undivided Family is treated as a 'person' under the Income-tax Act.
3. Only the members of the community governed by Hindu Law can form a HUF for the taxation purpose.
Which of the statements given above are **incorrect**?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) c
Exp) Option c is the correct answer.
Hindu Undivided Family is treated as a 'person' under the Income-tax Act, 1961. The purpose of behind Hindu Undivided Family is to pool the asset of members to get the tax benefits.
Statement 1 is incorrect: HUF is created through marriage automatically and cannot be created through contract. It is automatically created in a Hindu family. For example, a family of two spouses along with children can create an HUF and get certain relaxation in computation of taxes.
Statement 2 is correct: Hindu Undivided Family ('HUF') is treated as a 'person' under section 2(31) of the Income-tax Act, 1961. HUF is a separate entity for the purpose of assessment under the Act.
Under Hindu Law, an HUF is a family which consists of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters. An HUF cannot be created under a contract, it is created automatically in a Hindu Family.
Statement 3 is incorrect: H**UF for the purpose of tax benefit can be formed by family who is not governed by Hindu law**. **Jain and Sikh** families even though are not governed by the Hindu Law, but they are treated as HUF under the Act. HUF has a separate entity for the purpose of assessment under the Act.
Source: https://www.business-standard.com/about/what-is-hindu-undivided-family#collapse
https://incometaxindia.gov.in/pages/i-am/huf.aspx#:~:text=%E2%80%8B%E2%80%8B%E2%80%8BHindu%20Undivided%20Family%20(HUF)&text=Under%20Hindu%20Law%2C%20an%20HUF,automatically%20in%20a%20Hindu%20Family.
https://cleartax.in/s/huf-hindu-undivided-family

Q.33) With reference to foreign entities working in India, consider the following statements:
1. If a foreign company is a resident company of India than their entire income, including their global income is liable to be taxed in India.
2. A Liaison Office is mandatorily subjected to payment of income tax in India.
3. Branch office of a foreign entity can acquire immovable property in India.

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Which of the statements given above is/are correct?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) c

Exp) Option c is the correct answer

According to the Companies Act 2013, a foreign company is a body incorporated outside India. It conducts business through an agent or by itself, operates physically or electronically and in any other manner in India. They are governed by the rules and policies of FDI, FEMA, RBI and Companies Act 2013. In order to conduct its business any foreign entity has the following

1) Joint Venture with an Indian Company
2) Wholly owned subsidiary company
3) Liaison Office
4) Project Office
5) Branch Office
6) Limited Liability Partnerships (LLP)

Statement 1 is correct: If the place of effective management (POEM) of a foreign company is in India, then the foreign company will be deemed to be a resident company. If it is a resident company, then their entire income (including their global income) is liable to be taxed in India.

Statement 2 is incorrect: A Liaison Office (LO) is an office that facilitates close working relationships between the parent company across India and the business parties in India. **Liaison offices cannot earn any income in India and generally not subject to Income Tax in India**. Since they cannot conduct business activities and hence cannot earn profit due to Indian exchange control regulations.

Statement 3 is correct: A Project Office or Branch Office is treated as an Indian Permanent Establishment of its Foreign headquarter. The Branch office or project office of a foreign entity have the permission to acquire property for their own use. But It cannot acquire property for leasing or renting out. However, entities from Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, Nepal, Bhutan, China, Hong Kong and Macau require prior approval by the Reserve Bank before acquiring any immovable property in India.

Knowledge Base: In October 2021, the international community agreed a landmark deal to establish a global minimum effective corporate tax rate of 15% for large multinational enterprises (MNEs). It has important implications for the use of tax incentives around the world.

Source: https://www.investindia.gov.in/taxation
https://www.rbi.org.in/commonperson/English/Scripts/FAQs.aspx?Id=1303#Q4
https://www.indialawoffices.com/legal-articles/foreign-companies-and-income-tax-filing-in-india

Q.34) Consider the following pairs:

Entities	**Tax incentives given in India.**
1. Special Economic Zone	100% exemption provided from income tax on export for first 10 years.
2. Start-ups	Investments made above the fair market

		value in eligible start-ups are exempted from tax.
3.	International Financial Service Sector	Investors are not mandated to pay GST on (IFSC) investments carried out in IFSC.

Which of the pairs given above is/are correct?
a) 1 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) b

Exp) Option b is the correct answer.

A tax incentive is a government measure that aimed at encouraging individuals and businesses to spend or to save money by reducing the amount of tax that they have to pay.

Statement 1 is incorrect: Special Economic Zone (SEZ) is a geographical region in a country which is subject to special regulations which are less restrictive than those governing the rest of the country. 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.

Statement 2 is correct: The government has exempted the eligible start-ups for **tax being levied on investments above the fair market value**. Such investments include **investments made in eligible statrtups by resident** angel investors, family or funds which are not registered as venture capital funds. Also, the investments made by incubators above fair market value is exempt.

Statement 3 is correct: International Financial Services Centre (IFSC) attends to customers outside the jurisdiction of the domestic economy. **Gujarat International Finance Tec-City** (GIFT) is India's first International Financial Services Centre (IFSC). In IFSC, Goods and Services Tax (GST) Benefits provided to:

1)Investors: No GST will be levied on transactions carried out in IFSC exchanges

2) Units in IFSC: No GST on services: (a) received by unit in IFSC.
(b) provided to IFSC / SEZ units and Offshore clients
However, GST applicable on services provided to Domestic Tariff Area.

Source: statement 1:
http://sezindia.nic.in/FAQ.php#:~:text=100%25%20Income%20Tax%20exemption%20on,will%20become%20effective%20from%2001.04.
Statement 2: https://cleartax.in/s/startup-india-tax-exemptions-eligibility
Statement 3: https://www.giftgujarat.in/tax-benifits

Q.35) Which among the following are the members of the North Atlantic Treaty Organization (NATO)?
1. Poland
2. Finland
3. Greece
4. Sweden
5. Lithuania

Select the correct answer using the code given below:
a) 1, 2 and 4 only
b) 1, 3 and 5 only
c) 2, 3 and 4 only

d) 3, 4 and 5 only

Ans) b

Exp) Option b is the correct answer.

NATO is an **intergovernmental military alliance** between **30 member states – 28 European and two North American**. Established in the aftermath of World War II, the organization implements the North Atlantic Treaty, which was signed in Washington, D.C., on 4 April 1949.

Option 1, 3 and 5 are correct. At present, NATO has 30 members. In 1949, there were 12 founding members of the Alliance: **Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the United Kingdom and the United States. The other member countries are: Greece and Turkey (1952), Germany (1955), Spain (1982), the Czech Republic, Hungary and Poland (1999), Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia (2004), Albania and Croatia (2009), Montenegro (2017) and North Macedonia (2020).** Provision for enlargement is given by Article 10 of the North Atlantic Treaty. NATO **currently recognizes Bosnia and Herzegovina, Georgia, and Ukraine as aspiring members**, and has invited **Finland and Sweden** to join the alliance after their applications for membership, **but they are not members as of now**.

Source: https://www.nato.int/nato-welcome/index.html

Q.36) Consider the following statements, with reference to different taxes in India:

1. Commodities transaction tax is imposed on agricultural commodities traded at commodities exchange markets.
2. Securities transaction tax is charged only when the profit is made by selling or buying of securities.
3. Recently the Government has introduced the wealth tax on the assets acquired by an Indian citizen.

Which of the statements given above is/ are **incorrect**?

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) d

Exp) Option d is the correct answer.

A type of tax where the impact and the incidence fall on the same person can be defined as a Direct Tax. The tax is paid directly by the organisation or an individual. E.g., income tax. The Net Direct Tax collection of direct tax for financial year 2022-2023 is of Rs. 7,00,669 crores. It includes Corporation Tax (CIT) at Rs. 3,68,484 crore and Personal Income Tax (PIT) including Securities Transaction Tax (STT) at Rs. 3,30,490 crores

Statement 1 is incorrect: The Commodity Transaction tax is **levied on non-agricultural commodities** e.g., silver, gold, and non-ferrous metals like copper as well as energy products such as natural gas and crude oil. It is imposed at the **rate of 0.01%**.

Commodity transaction tax was introduced in the 2013-14 Union Budget. The tax was introduced to differentiate between derivative trading in the commodities market and derivative trading in the securities market.

Statement 2 is incorrect: **securities transaction tax is levied on purchasing and selling of securities irrespective of loss or profit made**. It is levied and collected by the central government.

Securities transaction tax or STT was introduced in the year 2004. It aimed at avoiding tax evasion in case of capital gains According to the Securities Contract Act, 1956, following are the transactions covered under the same.

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(a) Shares, bonds, debentures
(b) Derivatives traded in the market
(c) Units issued by any collective investment scheme to customers
(d) Government securities that are share in nature.
(e) Rights or interests in securities
(f) Mutual funds that are based on equity trading

Statement 3 is incorrect: wealth tax was a type of direct tax that was abolished in 2016. Under the wealth tax act 1957, Wealth tax was levied on individuals, Hindu Undivided families and companies. **It was calculated on assets acquired, at the end of a financial year**. Also, tax was charged on the market value of assets owned regardless of whether they generate profit or not. As the collection of tax was expensive than the benefit derived. It was abolished due to administrative issues. However, wealth tax on individuals was replaced with an additional surcharge of 2 per cent on those having taxable income of over Rs 1 crore. In 2019, the surcharge further increased to 3% on those earning Rs 2.5 crores and 7% for those earning above Rs. 5 crores.

Knowledge Base: The figures of Direct Tax collections for the FY 2022-23, show that net collections are made at Rs. 7,00,669 crores as compared to Rs. 5,68,147 crores in the corresponding period of the preceding Financial Year i.e., FY 2021-22. Hence there is an increase of 23%.

Source: https://www.bankbazaar.com/tax/direct-tax.html
https://www.bankbazaar.com/tax/commodity-transaction-tax.html
https://www.bankbazaar.com/tax/securities-transaction-tax.html
https://www.deccanherald.com/business/union-budget/union-budget-2022-tax-the-rich-1073905.html

Q.37) With reference to indicators measuring tax efficiency in India, Consider the following statements:
1. Tax buoyancy refers to the change in amount of government revenue generated due to varying tax rate.
2. Tax elasticity refers to the increase in government revenue with respect to change in GDP in a year.
3. Higher tax buoyancy may decrease the interest rates for borrowing from the market.
4. High tax elasticity is desirable for the higher economic growth in country.

Which of the statements given above are correct?
a) 1 and 2 only
b) 2 and 3 only
c) 1 and 4 only
d) 3 and 4 only

Ans) d

Exp) Option d is the correct answer.

Taxes are the source of revenue for the government. It is essential to have an indicator measuring the efficiency and revenue mobilization. It helps in determining the level of taxation in a country. Such indicators include:

Statement 1 is incorrect: Tax Buoyancy is calculated as a ratio of percentage growth in tax revenues and growth in nominal GDP for a given year.

1) Tax buoyancy = change in tax revenue/ change in GDP

Tax is said to be buoyant if the gross tax revenues increase more with respect to a rise in GDP figures.

Statement 2 is incorrect: Tax Elasticity refers to change in tax revenue in response to change in tax rate. For example, the corresponding changes in tax revenue when the government reduces corporate income tax from 30 per cent to 25 per cent indicates tax elasticity.

Statement 3 is correct: Tax buoyancy is an important factor to know the expected level of government borrowings from the debt market. **Higher tax buoyancy mean that the government need to borrow less**

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from the debt market. This results in lowering the interest rates. And corporates would borrow loan at low interest rate.

IMF study of 34 OECD nations in 2014 found that countries who had long-term tax buoyancy figures above one, also improved their deficit ratios.

Statement 4 is correct: A high tax elasticity is said to be a particularly desirable feature in economy. **It leads to higher economic growth**. It helps the government financing the expenditure related to development by rising tax revenue. Instead of increasing tax or borrowing from the market which leaves little space for the corporate sector to borrow.

Source: https://www.thehindubusinessline.com/economy/tax-buoyancy-improves-thanks-to-indirect-levy/article64303208.ece

https://www.elibrary.imf.org/view/journals/001/2014/110/article-A001-en.xml?language=en

Q.38) With reference to the tax authorities in India, Consider the following statements:

1. Directorate of revenue intelligence works under the Central Board of Indirect taxes and Customs (CBIC).
2. Central Board of Direct taxes is a non-statutory body.
3. Proceedings against Benami transactions cannot be started by an officer of rank less than an Assistant Commissioner of Income tax.

Which of the statements given above are correct?

a)1 and 2 only

b)2 and 3 only

c) 1 and 3 only

d) 1, 2 and 3

Ans) c

Exp) Option c is the correct answer.

The taxation in India is dealt by two agencies:

1) Central Board of Indirect taxes and Customs (CBIC) authority responsible for governing indirect taxes such as GST, central excise, customs, among others in India

2) Central Board of Direct Taxes (CBDT) authority dealing with laws related to direct taxes through the Department of Income tax.

They both come under the Department of Revenue of Ministry of Finance.

Statement 1 is correct: Department of Revenue Intelligence (DRI) works under the Central Board of Indirect Taxes & Customs, Ministry of Finance, Government of India. It is an anti-smuggling agency of India. It is assigned with task of detecting and checking the smuggling of prohibited items. Such items include drug trafficking and illicit international trade in wildlife and environmentally sensitive items. It is also tasked with combating commercial frauds related to international trade and evasion of Customs duty.

Statement 2 is incorrect: The Central Board of Direct Taxes is a statutory authority under the Central Board of Revenue Act, 1963. Earlier The Central Board of Revenue under central board of revenue act, 1924 was charged with the administration of taxes. Initially the Board was in charge of both direct and indirect taxes. In 1964, the Board was split up into two bodies, namely the Central Board of Direct Taxes and Central Board of Excise and Customs.

Statement 3 is correct: Benami transaction is defined under Benami transaction (prohibition) act, 1988. In simpler terms benami transaction is if a person has paid for a certain property but it is transferred to another person's name**. Investigation for such transaction is initiated by the assistant commissioner of Income Tax**. The power is conferred to him under Income tax Act, 1961.

Source: https://dri.nic.in/main/aboutus

https://www.mondaq.com/india/white-collar-crime-anti-corruption-fraud/678174/understanding-the-benami-law-in-india-frequently-asked-questions

https://dor.gov.in/sites/default/files/CBDT.pdf

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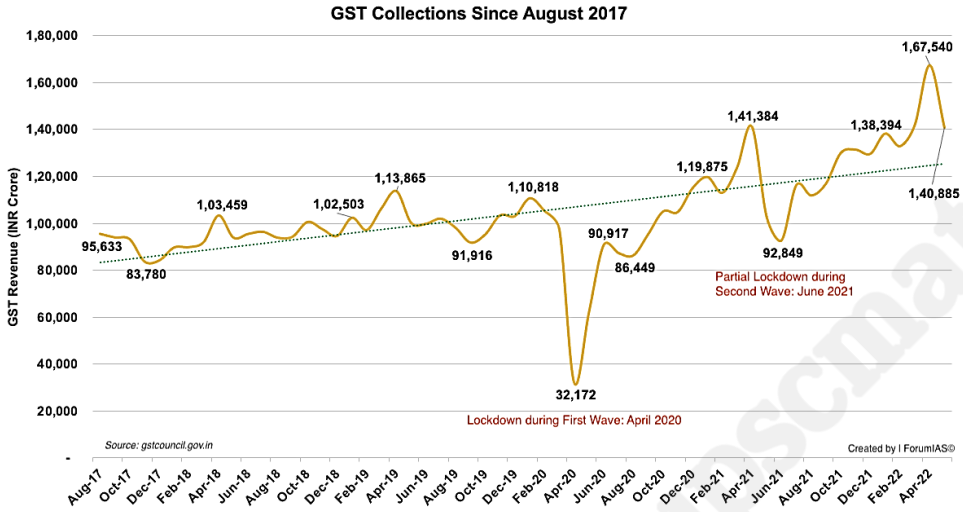
Q.39) With reference to Goods and Services Tax (GST), consider the following statements:
1. GST collection by the government has increased steadily during the last five years.
2. GST can be levied on a pre-packed and labelled food item even if it is non-branded.
Which of the statements given above is/are correct?
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) b

Exp) Option b is the correct answer.

GST is an indirect tax was passed under Goods and Service Tax Act which came into effect on 1st July 2017. It has replaced many indirect taxes in India such as the excise duty, VAT, services tax. It is a destination-based consumption tax that is levied on every value addition. GST is applicable on supply of goods or services.

Statement 1 is incorrect: GST collection has not steadily increased during the period between 2017-2022. In the initial 2 years, low revenue from GST was collected because of implementation issues like compliance problems, lower awareness. Then there was a big dip in April 2020.



Statement 2 is correct: **The GST Council has approved the 5% tax from July 2022 on unbranded packed food items that are sold in pre-packed and labelled form**. It has been levied on several unbranded food items and grains that are sold in a pre-packed and labelled form. It includes curd, lassi, buttermilk, puffed rice, wheat, pulses, oats, maize, and flour. However, it will be exempted if sold loose. It was done to check tax leakages.

Source: statement 1:https://www.business-standard.com/about/what-is-revenue-budget
Statement 2: https://blog.forumias.com/five-years-of-gst-achievements-challenges-and-way-ahead/

Q.40) Which of the following action can most likely lead to further 'dollarization' of the Indian economy?
a) Paying import bill exclusively in the dollars.
b) Allowing full capital account convertibility.
c) Increasing the India's IMF shareholding in dollars.
d) Adoption of cryptocurrency.

Ans) d

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Exp) Option d is the correct answer.
Dollarization is **a form of currency substitution**, where **dollars are used in addition to or instead of the local currency** of a country.
Option a is incorrect: According to some research papers**, Indian EXIM (import export) transactions are already dominated by dollars**. 86% of both Indian imports and exports are invoiced in dollars, though only 5% of India's imports and 15% of exports are from and to the US. Since it is **already dominated by dollars paying import bill exclusively in the dollars would not lead to further dollarization**. Furthermore, it would **also not affect the domestic or local usage of the currency**.
Option b is incorrect: Capital account convertibility (CAC) means the **freedom to conduct investment transactions without any constraints**. In other words, CAC means there is no restrictions on the amount of rupees an Indian resident can convert into foreign currency to enable to acquire any foreign asset. Inflows and outflows of the foreign and domestic capital, which are prone to volatility, can lead to excessive appreciation/depreciation of their currency and impact the monetary and financial stability. Thus, **full Capital account convertibility would not lead to dollarization but rather make domestic currency more volatile**.
Option c is incorrect: Increasing the shareholding denominated in dollars in **International Monetary Fund** would have **no impact whatsoever** in dollarization of economy.
Option d is correct: Almost **all cryptocurrencies are dollar-denominated** and issued by foreign private entities, it **may eventually lead to dollarization of a part of our economy which will be against the country's sovereign interest**. RBI officials have also said these currencies 'can replace a part of monetary system it will also undermine the RBI's capacity to regulate the flow of money in the system'.
Source: https://economictimes.indiatimes.com/news/economy/policy/cryptos-can-lead-to-dollarisation-of-economy-rbi-officials-to-par-panel/articleshow/91577208.cms

Q.41) Under which of the following circumstances may 'capital gains' arise?
1. when there is an increase in the sales of a product
2. when there is a natural increase in the value of the property owned.
3. when you purchase a painting and there is a growth in its value due to increase in its popularity.
Select the correct answer using the codes given below:
a) 1 only
b) 2 and 3 only
c) 2 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.
Capital gain is an increase in a capital asset's value and is considered to be realized when the asset is sold. Realized capital gains and losses occur when an asset is sold, which triggers a taxable event. Unrealized gains and losses, sometimes referred to as paper gains and losses, reflect an increase or decrease in an investment's value but are not considered a capital gain that should be treated as a taxable event.
Increase sale of a product doesn't imply the increase of value of that product. So, no capital gain.
Source: UPSC CSE Pre 2012

Q.42) Which of the following measures are likely to be adopted by the Government/RBI to tackle inflation?
1. Increase in indirect taxes
2. Surplus budget
3. Increasing Cash Reserve Ratio

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4. Decreasing the Repo Rate
Select the correct answer using the code given below:
a) 1 and 2 only
b) 1, 2 and 3 only
c) 2 and 3 only
d) 1, 2, 3 and 4

Ans) c
Exp) Option c is the correct answer.
Option 1 is incorrect. Increase in Indirect tax rate like Goods and service tax (GST), excise duty will **push the price further up**. So, reducing the indirect tax rate is a measure used by the government to curb inflation. For example, government reduced the GST rate of COVID-19 medicines and instruments to five per cent.
Option 2 is correct. Surplus budget means less expenditure than receipts. It reduces the money supply and government demand for goods and services. The price level will be brought down due to this.
Option 3 is correct. Scheduled banks are required to keep a certain percentage of their Net Time and Demand Deposits with RBI. Thus, the **increased CRR means less money with banks to lend** which will reduce the money supply in the economy.
Option 4 is incorrect. Repo rate is the rate at which the commercial banks borrow money from RBI by mortgaging their dated government securities and treasury bills. **The decreased repo rate means the cheaper credit access to banks** from RBI which will ultimately **increase the money supply** in the economy.
Source: Indian economy Key concepts (Indian financial market, Inflation and deflation)

Q.43) The retail selling price of the non-subsidised LPG cylinder for the Indian customer is determined mainly by which of the following?
1. Exchange rate of Indian rupee against dollar
2. Transportation cost
3. Direct Benefit Transfer provided to consumers
4. Marketing Costs
5. Price of crude oil in the international market
Select the correct answer using the code given below:
a) 1, 2, 3 and 4 only
b) 2 and 5 only
c) 1, 3 and 5 only
d) 1, 2, 4 and 5 only

Ans) d
Exp) Option d is the correct answer.
LPG pricing in India is done on the basis of a formula – import parity price (IPP). The IPP is determined based on LPG prices in the international market, assuming that the fuel is imported into the country.
Option 1 is correct: An increase in international LPG prices or **weakness in the rupee**, or both, translate into higher LPG prices in India. Thus, the exchange rate of the Indian rupee is detrimental in the price of LPG cylinder. International LPG prices tend to move in tandem with the **price of crude oil**, the key raw material.
Option 3 is incorrect: As the question is about the determination of **prices of non-subsidised LPG** in India, thus the subsidy provided is not detrimental in selling price of the non-subsidised LPG cylinder. The price of LPG cylinders in India is reset on a **monthly basis**, effective from the first of every month.

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Option 2, 4 and 5 are correct: LPG pricing in India is done on the basis of a formula – **import parity price (IPP**). The IPP is determined based on LPG prices in the international market. The IPP includes **ocean freight (transportation cost), insurance, custom duties, port dues, etc**. This price, quoted in dollars, is then converted to rupees. To this is added the cost of **inland freight, marketing costs and margins charged by the oil companies, bottling charges, dealer commission and the GST**. This gives the retail selling price of the non-subsidised LPG cylinder for the Indian customer.
Source: https://www.thehindubusinessline.com/opinion/columns/slate/all-you-wanted-to-know-about-lpg-pricing-formula/article30496150.ece

Q.44) Which of the following factors is/are responsible for influencing the prices of gold in India?
1. Inflationary conditions in the economy
2. Rise in Global Crude Oil Prices
3. Increase in Government Reserves
4. Good Harvesting Season for rural economy
5.International value of the US dollar
Select the correct answer using the code given below.
a) 1 and 2 only
b) 1, 2 and 3 only
c) 1, 3 and 5 only
d) 1, 2, 3, 4 and 5

Ans) d
Exp) Option d is the correct answer.
Gold is always considered as a very important monetary asset across the world. It is a safe investment in the long run.
Statement 1 is correct. Gold prices react to inflation, Indians prefer to invest in gold. When i**nflation rises the currency values go down**. Thus, people tend to hold money in the form of gold. When inflation lasts high for a long period of time, gold acts as a hedging tool (tools that limit risk exposures in financial assets) against inflationary conditions. As the value of **currency keeps fluctuating, gold value is considered stable** in the long run.
Statement 2 is correct. Crude oil price that is one of the major contributors in the inflation of the economy can **dictate the gold prices in the market.** The **volatility of the crude oil prices** and any sharp moves by the economies regarding it would have implications for the inflation expectations as well as gold prices.
Statement 3 is correct. The government holds reserves of gold. When RBI starts to **buy greater quantity than it sells, the price increases** as it will result in insufficient supply of gold and vice versa. Hence, the central bank's decision to buy or sell gold can affect the price due to the sheer volume of transactions.
Statement 4 is correct. The **Demand and Supply** plays a vital role in influencing the prices of gold. Rural demand plays an important role in the demand for gold; as per the NITI Aayog report the **maximum purchase and selling of gold in India is done from rural market**. **Good monsoon results in good harvest** and the **amount earned is used to invest in gold** which is used in rainy season as in poor monsoon gold acts as a safe haven. When there is a rise in demand for gold, the price increases, and vice versa.
Statement 5 is correct. The **US Dollar Index** is a leading benchmark for the international value of the US dollar and the world's most widely recognized, publicly traded currency index. The price of gold is generally **inversely related to the value of the United States dolla**r because the metal is dollar-denominated. All else being equal, **a stronger U.S. dollar tends to keep the price of gold lower and more controlled**, while a **weaker U.S. dollar is likely to drive the price of gold higher** through increasing demand because more gold can be purchased when the dollar is weaker.

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Source: https://www.livemint.com/market/commodities/five-factors-affecting-gold-prices-11656733639500.html
https://www.livemint.com/market/commodities/crude-oil-price-to-us-dollar-top-5-triggers-for-gold-price-in-short-term-11660378803412.html
https://www.investopedia.com/financial-edge/0311/what-drives-the-price-of-gold.aspx
https://www.niti.gov.in/sites/default/files/2019-06/Report_GoldMarket.pdf

Q.45) With reference to the Nirmal Jal Prayas initiative, consider the following statements:
1. It aims to remove the financial barriers in accessing the safe water and sanitation at home.
2. It is an initiative of the National Real Estate Development Council-Women's Wing.
Which of the statements given above is/are correct?
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) c
Exp) Option c is the correct answer.
The Minister for Housing and Urban Affairs launched the BHARAT TAP initiative at the 'Plumbex India' exhibition. This exhibition is aimed at products and services related to the plumbing, water and sanitation industry.
Statement 1 is correct: NAREDCO's (National Real Estate Development Council) Nirmal Jal Prayas seeks to help solve the global water crisis by removing the financial barriers that stand between people in need and **access to safe water and sanitation at home.**
Statement 2 is correct: Nirmal Jal Prayas is an initiative of National Real Estate Development Council-Womens' Wing (NAREDCO-MAHI). Nirmal Jal Prayas aims to map groundwater as it is very important to save underground water. The initiative will work to save around 500 crore litres of water per year.
Knowledge Base:
1) National Real Estate Development Council (NAREDCO) was established as an autonomous self-regulatory body in 1998 under the aegis of the Ministry of Housing and Urban Affairs.
2) It is an apex body at the national level representing all spheres of stakeholders engaged in various aspects of real estate development.
3) NAREDCO has established NAREDCO-MAHI Women's Wing in 2021 for empowering women entrepreneurs and encouraging participation of women in the real estate sector and allied fields.
Source: https://blog.forumias.com/union-minister-launches-bharat-tap-initiative-at-plumbex-india-exhibition/

Q.46) Which of the following are the measures taken by the government in recent years in order to improve taxation system in India?
1. Imposition of Dividend Distribution Tax at uniform slab rate on dividends received by the shareholders of a company.
2. Corporate tax rate has been decreased for the domestic companies.
3. Government has put a limit on transactions in cash to trace the amount transacted for taxation.
4. Tax officials for the assessment of tax returns are selected through internal select committee of Income Tax Department to increase the transparency.

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Which of the statements given above are correct?
a) 1 and 4 only
b) 2 and 3 only
c) 1, 2 and 4 only
d) 2, 3 and 4 only

Ans) b

Exp) Option b is the correct answer.

Tax reforms is the policy undertaken by the government to improve the effectiveness of tax administration in country. There are three types of tax reforms:
1) Corporate tax reforms
2) Income tax reforms
3) Other types of reforms to introduce new types taxes in tax system.

Statement 1 is incorrect: The Dividend Distribution Tax is taxable at source i.e.; companies will deduct a portion from the dividend of shareholder and deposit to government as DDT hence deducting at the time of the distribution**.** It was **abolished in 2020 under finance act 2020.** It was done to:
1) Increase the attractiveness in equity market by foreign investors.
2) Provide relief to large class of investors constituting lower middle-class shareholders.
But the income tax on shareholder's dividend is still applicable.

Statement 2 is correct: In 2019, government amended the **income tax act to reduce the corporate tax from for companies 30% to 22% not availing any incentive**. After surcharge the effective tax rate for these companies is 25.17% inclusive of all surcharges and cess. Also, for Newly added manufacturing companies, corporate tax rate of 15% was decided. It was done for companies to invest more for giving boost to the economic growth in country.

Statement 3 is correct: Under Section 269ST of Income tax Act cash transactions over Rs.2 lakh are strictly prohibited among individuals. Any above amount must be paid via cheque, card payments or bank transfer. Incompliance with cash limit invites penalty under income tax act. **As the above limit can be traced by the authorities, it helps in taxing the higher amounts above the cash limit**. It was done to check the menace of black money. Act prohibits any person from accepting cash over Rs.2 lakh from a single person and in a single day, or in respect of multiple transactions received from a single person that relates to a single event or occasion

Statement 4 is incorrect: Under the faceless assessment scheme, the selection of a taxpayer is done through a system **using analytics and artificial intelligence**. There is **no provision of internal select committee to assign the tax official**. A taxpayer in one city, will be assigned an assessor of income tax return in different city through random selection by computer. The assessment would also be done without the taxpayer being aware of who the assessing officer is, hence increasing the transparency in the filing of tax return and saving the tax payer from the harassment of tax official.

Source: https://incometaxindia.gov.in/booklets%20%20pamphlets/direct-tax-reforms.pdf
https://www.livemint.com/politics/policy/govt-cuts-corporate-tax-rate-to-22-relief-on-buyback-tax-1568958459203.html
https://news.cleartax.in/important-cash-transaction-limits-and-penalties-under-income-tax-that-you-need-to-know-about/7910/#:~:text=2%20lakh%20are%20strictly%20prohibited,a%20single%20event%20or%20occasion.

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Q.47) Consider the following statements with reference to NITI Aayog (National Institution for Transforming India):
1. Governing Council of the NITI Aayog comprises of the Governor of all the States and Lt. Governors of the Union Territories.
2. Regional Council comprises of the Chief Ministers of States and Lt. Governors of Union Territories in the region.
3. One of its objectives is to develop mechanisms to formulate credible plans at the village level.
4. Chief Executive Officer is appointed by the President.
Which of the statements given above are correct?
a) 2 and 3 only
b) 1, 2 and 4 only
c) 2, 3 and 4 only
d) 1, 2, 3, and 4

Ans) a
Exp) Option a is the correct answer.
The Government has replaced Planning Commission with a new institution named NITI Aayog (National Institution for Transforming India). Its aim is to foster cooperative federalism.
Statement 1 is incorrect and 2 is correct: The NITI Aayog comprises of the following:
(a) Prime Minister of India as the Chairperson.
(b) Vice-Chairperson: To be appointed by the Prime Minister.
(c) Governing Council comprising the **Chief Ministers of all the States and Lt. Governors of Union Territories.**
(d) Regional Council will comprise of the **Chief Ministers of States and Lt. Governors of Union Territories** in the region. These will be chaired by the Chairperson of the NITI Aayog or his nominee.
(e) Experts, specialists and practitioners with relevant domain knowledge as special invitees nominated by the Prime Minister.
(f) Part-time members: Maximum of 2 from leading universities research, organizations and other relevant institutions in an ex-officio capacity. Part time members will be on a rotational basis.
(g) Ex Officio members: Maximum of 4 members of the Union Council of Ministers to be nominated by the Prime Minister.
(h) Chief Executive Officer: To be **appointed by the Prime Minister** for a fixed tenure, in the rank of Secretary to the Government of India. **Hence statement 4 is Incorrect.**
Statement 3 is correct. One of NITI Aayogs objective is to develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
Source: https://pib.gov.in/newsite/PrintRelease.aspx?relid=114273
| NITI Aayog

Q.48) With reference to the International Monetary Fund, consider the following statements:
1. Upon specific request of the member countries, the IMF can lend for specific social assistance projects.
2. All IMF members are eligible to access the General Resources Account of IMF on non-concessional terms.
3. IMF provides rapid concessional financial assistance to low-income countries (LICs) under its Rapid Credit Facility.
Which of the statements given above is/are correct?
a) 1 only
b) 2 only
c) 1 and 3 only
d) 2 and 3 only

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Ans) d

Exp) Option d is the correct answer.

International Monetary Fund is an international financial institution, headquartered in Washington, D.C., consisting of 190 countries working to foster global monetary cooperation. The IMF provides loans including emergency loans to member countries experiencing actual or potential balance of payments problems.

Statement 1 is incorrect: Unlike development banks, **the IMF does not lend for specific projects**. The IMF provides financial support for balance of payments needs upon request by its member countries. Following such a request, an IMF staff team holds discussions with the government to assess the economic and financial situation, and the size of the country's overall financing needs, and agree on the appropriate policy response.

Statement 2 is correct: All **IMF members** are eligible to access the Fund's resources in the **General Resources Account** (GRA) **on non-concessional terms.** The IMF also provides concessional financial support (currently at zero interest rates through June 2021) through the Poverty Reduction and Growth Trust which is better tailored to the diversity and needs of low-income countries.

Statement 3 is correct: The Rapid Credit Facility (RCF) provides rapid concessional financial assistance to low-income countries (LICs) facing an urgent balance of payments need with no ex-post conditionality where a full-fledged economic program is neither necessary nor feasible. The RCF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs, including in times of crisis.

Knowledge Base:

The IMF's resources mainly come from the money that countries pay as their capital subscription (quotas) when they become members. Each member of the IMF is assigned a quota, based broadly on its relative position in the world economy. Countries can then borrow from this pool when they fall into financial difficulty.

Source: https://www.imf.org/en/About/Factsheets/IMF-Lending

Q.49) With reference to tax treaties signed by India, consider the following statements:

1. Under Social Service Agreement (SSA), cross border workers are exempted from paying the social security contributions in their home country.
2. Under Double-taxation avoidance agreement (DTAA), member countries deduct the tax at the rate fixed under the agreement.

Which of the statements given above is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) b

Exp) Option b is the correct answer.

A tax treaty is an agreement for the taxpayers of the participating countries. It is aimed at resolving issues regarding double taxation of passive and active income to the citizens of respective countries. A DTAA is a tax treaty signed between two or more countries aiming that **tax-payers to avoid being taxed twice for the same income**

Statement 1 is incorrect: SSA is a **bilateral agreement between India and a foreign country aimed at protecting the interests of cross border workers**. e.g., **a worker employed to any SSA country are exempt from making social security contributions in the host country for a specified period**, **provided they**

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continue to make social security contributions in their home countries. The agreement ensures equality of treatment to workers of both countries from a social security perspective.
India has signed 18 SSAs with other countries. Benefits like detachment, exportability of pension, totalisation of benefits and withdrawal of social security benefits are provided under these SSAs.
Statement 2 is correct: A DTAA applies in cases where a tax-payer resides in one country and earns income in another. Under DTAA, with different countries, **a specific rate is fixed at which tax has to be deducted on income paid to residents of that country** e.g. an NRIs earning income in India, the TDS applicable would be according to the rates set in the Double Tax Avoidance Agreement with that country. DTAAs are intended to make a country an attractive investment destination by providing relief on dual taxation.
Source: https://www.moneycontrol.com/news/business/personal-finance/understanding-social-security-agreements-for-international-workers-3583151.html
https://www.thehindubusinessline.com/opinion/columns/all-you-wanted-to-know-aboutdtaa/article64538863.ece

Q.50) Consider the following statements:
1. AIM-PRIME aims to support technology-based innovations that solve challenges of national importance.
2. Atal New India Challenge aims to promote early-stage deep technology ideas through training and guidance.
Which of the statements given above is/are correct?
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) d
Exp) Option d is the correct answer.
Statement 1 is incorrect: Atal New India Challenge (ANIC), and not AIM-PRIME, is a flagship program of Atal Innovation Mission, NITI Aayog. ANIC aims to seek, select, support and **nurture technology-based innovations that solve sectoral challenges of national importance** and societal relevance – Education, Health, Water and Sanitation, Agriculture, Food Processing, Housing, Energy, Mobility, Space Application etc.
Statement 2 is incorrect: The **AIM PRIME (Program for Researchers in Innovation, Market Readiness and Entrepreneurship) program, and not Atal New India Challenge,** was aimed at **promoting early-stage science-based, deep technology ideas** to market through training and guidance over a period of 12 months using a blended learning curriculum. In this regard, AIM has joined hands with Bill & Melinda Gates Foundation (BMGF) to launch this nationwide program which will be implemented by Venture Center - a non-profit technology business incubator.
Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=1824157
https://aim.gov.in/atal-new-india-challenge-2.0.php
https://pib.gov.in/PressReleasePage.aspx?PRID=1708798

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